

Yukon Economic Outlook 1985-1987



Yukon

Economic Development:
Mines and Small Business



YUKON ECONOMIC OUTLOOK
1985-87

ERRATA

Appendix A, 2. Base Case Scenario (with Curragh), Table A

- Value of Lead/Zinc production for 1987 should read \$150.2 million.
- Total value of mineral production for 1987 should read \$259.9 million.
- Total of (*) items above for 1987 should read \$926.9.

Appendix A, 1. Best Case Scenario, Table A

- Value of Lead/Zinc production for 1987 should read \$216.3 million.
- Total value of mineral production for 1987 should read \$374.5 million.
- Total of (*) items above for 1987 should read \$1,098.2.

Policy, Planning & Research Branch,
Government of Yukon.
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YUKON ECONOMIC OUTLOOK

1985-87

Policy Planning and Research Branch
Department of Economic Development:
Mines and Small Business
Government of Yukon

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PURPOSE

The purposes of this paper are: (a) to provide a general review of the performance of the Yukon economy in 1985; and (b) to provide an economic forecast for 1986 and 1987.

EXECUTIVE SUMMARY - YUKON ECONOMY

1985 Review

The available economic indicators show that the Yukon economy has made some very modest improvements over 1984. However, no significant recovery has occurred and unemployment remains very high, probably in the 16-20 per cent range. Real growth rates for 1985 will likely be in the zero to 1 per cent range.

In the mining sector exploration activity in 1985 centred almost entirely on precious metals - gold and silver. Exploration expenditures will total an estimated \$20-\$30 million - approximately the same level as in 1984. Mineral production will likely equal 1984 levels with approximately \$50 million in gold and silver being produced. This year was an excellent year for the Yukon tourism industry as a record number of visitors came to the Yukon and spent an estimated \$87 million. Government expenditures by the Yukon and federal governments increased by approximately 10 per cent in 1985 and accounted for a large portion of the economic activity in the Yukon. Capital spending on road construction, new buildings and other public works provided most of the activity for Yukon's construction industry. Retail trade rose 9.6 per cent in the first three-quarters of 1985 compared to the same period in 1984.

Outlook for 1986 and 1987

The outlook for the Yukon economy largely depends on the success of efforts by Curragh Resources Corporation to re-open and operate the Cyprus Anvil lead-zinc mine at Faro. If these efforts are successful the Curragh mining operation will commence production in mid-1986. About 400 mining jobs will be created along with 700 indirect jobs. The resulting economic activity would ensure that Yukon would enjoy real growth of 5-6 per cent in 1986 and in 1987. Yukon's unemployment rate is expected to decline to 11-14 per cent in 1986.

There is a significant element of risk involved with the re-opening of the Anvil mine - lead/zinc prices remain weak and several key problems must be overcome for production to resume. If the mine did not resume production in 1986 Yukon's growth rate would likely lag behind Canada as a whole and unemployment would remain significantly above the national average.

The value of mineral production in 1986 should increase to \$200 million as a result of production from the Anvil mine, higher gold prices, increased placer mining activity and the opening of a small-scale gold mine at Mt. Skukum. The tourism sector is expected to show little growth in 1986 as many potential visitors to Yukon will likely be drawn to Expo '86 in Vancouver. The Federal government spending will likely remain static while the Yukon government, in its 1986-87 capital budget, proposed a modest increase in spending.

CONTENTS

Following is a very general discussion of the U.S. and Canadian economic outlook, and a sectoral analysis of the Yukon economy.

Forecast numbers are included in the Appendices for 1986 and 1987 for several key economic indicators and labour force statistics for four different scenarios:

1. A "best" case scenario;
2. A "base" case scenario - in which the Anvil mine resumes full production in 1986;
3. A "base" case scenario - in which the Anvil mine does not resume production;
4. A "worst case" scenario.

A list of assumptions is provided with each scenario.

YUKON ECONOMIC INDICATORS--SUMMARY

	1985	BABE CASE (Curragh) 1986	BABE CASE (No Cur.) 1986	BEST CASE 1986	WORST CASE 1986
MINING					
Value of Mineral Production (\$ millions) *	50	204	76	225.6	33
Exploration Expenditures (\$ millions) *	20	21	21	30	12
Metal Prices (average annual)					
Lead (cents U.S. per lb.)	20	20	20	21	17
Zinc (cents U.S. per lb.)	41	45	45	45	35
Silver (\$ U.S. per oz.)	6.16	7.5	7.5	7.5	6
Gold (\$ U.S. per oz.)	330	350	350	350	300
TOURISM					
Value of Tourist Expenditures (\$ millions) *	87	87	87	94	69
Number of Border Crossings	447420	447420	447420	483213	354357
SERVICE SECTOR					
Value of Retail Trade (\$ millions) *	125	128	128	135	105
GOVERNMENT					
Government Expenditures (\$ millions) 1					
Federal	160.8	160.8	160.8	160.8	130.2
Territorial	203.8	241.1	241.1	245.9	229.2
TOTAL of (*) items above	646.6	841.9	713.9	891.3	578.4
LABOUR MARKET					
Population	24734	25172	24882	25315	24534
Total Employment	9635	10674	9866	10848	9474
Unemployment Rate (approximate range)	16-20%	11-14%	15-19%	10-13%	16-20%

1 Fiscal Years have been converted to calendar years.

INTERNATIONAL ECONOMY - OUTLOOK FOR 1986

In 1985 OECD economies showed slower growth in the first half of 1985 than in the second half of 1984. Growth has been export led for most countries and the recent slowing in the U.S. could imply even slower growth in the second half of the year. However, declining world interest rates and lower international oil prices could provide a significant future offset to a weaker international trade situation.

In 1985 economic policies in most OECD countries remained fairly anti-inflationary. Fiscal policy has been restrained in most of the major OECD economies, while monetary policies have been generally directed by monetary targets.

The outlook for 1986 is for continued moderate growth and for low rates of inflation. Real growth in the major European economies is expected to average 2.3 per cent in 1986; inflation is forecast to be approximately 5 per cent. Real growth in Japan is forecast to be 4.5 per cent in 1986 while Japan's inflation rate is forecast at 2.5 per cent.

UNITED STATES ECONOMY - OUTLOOK FOR 1986

After two years of strong growth the U.S. economy began to slow down in the latter half of 1984. In 1985 sluggish growth has continued with real Gross National Expenditure (GNE) expected to increase by 2.3 per cent for the year. The outlook for the first half of 1986 is for a continuation of the modest growth rates evident in 1985.

Most forecasters expect the U.S. dollar to decline in value relative to other currencies in 1986 and through 1987. For the United States a lower dollar would mean a lower level of imports, higher exports and modestly higher growth rates in late 1986 and in 1987.

The rate of economic expansion is likely to pick up after mid-1986, particularly during 1987, largely due to an expected continued annual decline in the value of the U.S. dollar. The falling dollar is expected to reduce import penetration and improve capacity utilization and profits. This should provide the basis for a moderate resurgence in business real non-residential investment in 1987. Indeed, this

resurgence in business investment is expected to be the major factor in the mild acceleration in final domestic demand, given the dampening impact on consumer spending of relatively weak income growth, a low savings ratio, and the constraints on government current spending due to the budgetary deficit dilemma. Improved business fixed investment and exports are expected to enable the real growth rate of GNP to pick up to 3 per cent in 1987. (Royal Bank Econoscope, Oct-85)

The implications for Yukon of this U.S. economic outlook are for the most part positive. Modest GNP and consumption growth should provide increased disposable income for U.S. visitors to Yukon. The Yukon tourism industry will also benefit from several U.S. demographic and economic trends - an aging population, the movement of people toward the Pacific Southwest, and a rising standard of living which stems from economic growth.

Another implication for Yukon is that a lower U.S. dollar will likely mean higher gold prices - it will simply take more U.S. dollars to purchase the same quantity of gold. As well, a weakening U.S. dollar will spur some investors to purchase gold.

TABLE A
U.S. Economic Forecast

	1985	1986	1987
	Forecast	Forecast	Forecast
(percentage change)			
<u>Components of real GNE</u>			
Personal consumption	4.0	2.6	2.5
Government	3.8	0.9	1.0
Inventory changes (\$ b)	12.3	11.1	7.1
Business	5.6	3.3	5.7
Residential	1.4	3.2	4.8
Non-residential	6.8	3.3	6.0
Exports	-3.4	5.3	9.8
Imports	8.7	4.0	3.8
Real GNE (=GNP)	2.3	2.4	3.0
<u>Other indicators</u>			
Housing starts (millions)	1.8	1.8	1.9
Car sales (millions)	10.6	10.7	10.8
Current account balance (\$ b)	-130.9	-138.7	-131.1
CPI	3.4	3.6	4.7
GNP price index	3.7	3.4	3.5
Jobless rate (%)	7.3	7.5	7.5

Source: Royal Bank of Canada Econoscope Oct-85

CANADIAN ECONOMIC OUTLOOK

The outlook for the Canadian economy in 1986 is for continued moderate growth at lower levels than in 1985, continued low rates of inflation, lower unemployment and flat interest rates. The attached Table B provides figures for 1986 and 1987.

The main sources of growth in 1986 will be an increase in business non-residential investment and, to a lesser extent, increased consumer demand. Other forecast highlights for Canada in 1986 and 1987 include:

- Inflation - consumer price inflation remains steady near the 4% mark throughout the forecast period.
- Corporate profits - no major swings expected. Steady, but relatively modest, average increase of 4.6% this year and next; profit growth rises to 9.7% in 1987.
- Business investment - leading source of demand; real increase averages 6.4% per year.
- Housing starts - starts rise from 151,900 units this year to 160,500 in 1986 and 167,800 in 1987.
- Consumer spending - real growth to slow from 3.8% this year to an average of 3.1% in 1986 and 1987; much of the deceleration is in durables.
- Unemployment rate - steady employment gains reduce jobless rate from 10.6% this year to 9.8% in 1987.
- Wage rate - rises on average by 4.0% this year and next; accelerates moderately to a 4.8% increase in 1987.
- Current account balance - a reduction in the merchandise trade surplus pushes the current account into a deficit position of \$0.9 billion this year, \$3.7 billion in 1986 and \$3.1 billion in 1987.
- Interest rates - remain at current levels through 1986 and then rise by roughly one percentage point in 1987.
(Source: Royal Bank Econoscope Oct-85)

TABLE B
Canadian Economic Forecast

	1985 Forecast	1986 Forecast	1987 Forecast
	(Percentage Change)		
<u>Main Indicators</u>			
Components of real GNE	3.9	3.0	3.4
Consumption	3.8	3.1	3.0
Goods	4.2	2.5	2.9
Services	3.2	3.9	3.1
Business investment	5.8	7.2	5.7
Machinery and Equipment	4.1	6.9	6.8
Non-residential construction	7.6	7.7	5.8
Residential construction	10.4	6.9	3.6
External trade -			
Exports	3.5	2.4	4.5
Imports	4.0	3.5	4.1
Government spending (excluding transfers)	2.8	0.7	1.7
Real GNE (= GNP)	3.9	3.0	3.4
<u>Inflation</u>			
Price deflator for GNP	2.9	3.5	4.0
Consumer price index	3.8	3.7	4.0
<u>Labour Market</u>			
Labour Force	1.8	1.9	1.8
Employment	2.5	1.7	2.3
Unemployment rate (percentage)	10.5	10.3	9.8
Unemployed ('000s)	1.329	1,317	1,283
	(Percentages)		
<u>Interest and Exchange Rates</u>			
Bank of Canada lending rate	9.65	9.20	9.83
90-day finance paper	9.58	9.10	9.73
Mid-term corporate bonds	11.52	11.50	12.13
Exchange Rate c.U.S./\$Cdn	73.6	74.7	76.0

Source: Selected private sector and government forecasts, and Royal Bank
Econoscope Oct-85

SECTORAL ANALYSIS - YUKON ECONOMY

1. Mining Sector

(a) Structural Changes in Metal Markets

The economics of the Yukon mining sector, like the Canadian mining sector, is principally affected by world commodity markets. Yukon producers of lead, zinc, and to a large extent, silver and gold, must sell their production into a world market or accept prices determined on commodity markets.

For lead, zinc and silver, evidence exists that key structural changes have resulted in continuing weakness in commodity prices.

On the demand side, conservation and substitution, spurred by high prices in the 1970's and aided by technological developments, have significantly reduced long-term consumption growth trends for virtually every major metal. Industrial economies are simply less dependent on primary materials than they were a decade ago. This trend is expected to slow, but is unlikely to be reversed, even at lower prices than those now prevailing on world markets.

Structural changes on the supply side include rapid development of new capacity, particularly in developing countries, and increased involvement of governments in mine ownership and output decisions.

The implications of these long-run structural changes in commodity supply and demand patterns are twofold. Firstly, they suggest that changes in economic and financial conditions resulting, for example, from more rapid growth in Europe and/or depreciation of the U.S. dollar would not in themselves be sufficient to support a permanent recovery in commodity prices. Secondly, particularly for metals, significant sustainable price increases are unlikely to materialize until supplies adjust to the new realities of the marketplace. This is unlikely to occur quickly or easily.

(Bank of Montreal, Business Review, Oct-85)

(b) 1985 Metal Prices

Soft prices continued throughout 1985 for several key commodities including copper, nickel, iron ore, silver, and lead. These soft prices kept the recovery of the Canadian mining industry from taking place.

At 19-Sep-85 the producer price of lead was 19 cents (U.S.) compared to an average price of 25.8 cents (U.S.) per pound in 1984.

Zinc prices have declined from an average price of 49.1 cents (U.S.) per pound in 1984 to 34.5 cents (U.S.) at 16-Dec-85. In response to weakening zinc markets most Canadian producers reduced production during the year.

Silver prices remained low during 1985, and fell from an average price of \$8.33 in 1984 to \$5.89 (U.S.) per ounce at 20-Dec-85. Low prices continue to pose a threat to the continued operation of the United Keno Hill's Mine at Elsa.

The price of gold showed early signs of improvement in the first quarter of 1985, however, the gold price remained stagnant through the second and third quarters. At 20-Dec-85 the price of gold was \$325.00 (U.S.) per ounce compared to an average price of \$422.60 (U.S.) in 1984.

In the base case scenario all metal prices rise from their current levels.

(c) Production

In 1985 as in 1984 Yukon's mineral production will consist almost entirely of precious metals - gold and silver. The value of mineral production will likely be near the \$57 million in minerals produced for 1984. Last year gold production, mostly by placer mines, accounted for \$40 million, or approximately two-thirds, of Yukon's mineral production. Silver production made up most of the remainder and totalled about \$15 million.

Yukon's only significant hard rock mining operation was United Keno Hill Mines Ltd. (UKHM) at Elsa. UKHM mined their high grade silver deposit at a modest daily rate of 300 tonnes. Several small high grade silver operations were run on Keno Hill and in the Hess River area.

Placer mining activity in 1985 was similar to 1984 with 150-200 operators in production. Lower prevailing gold prices, however, could mean a lower value of placer gold being produced in 1985.

The key factors which influence the outlook for the production of minerals in Yukon are:

- metal prices;
- the value of the Canadian dollar vis a vis the U.S. dollar;
- the success of Curragh Resources to begin and maintain production;
- application of new mining technologies - heap leach technology would lead to the development of new mines in Yukon.

In 1986 in a base case scenario the value of mineral production would increase dramatically with the re-opening of the Anvil mine. At full production the Anvil mine will increase the value of Yukon's mineral production by approximately \$220 million annually. Aside from the lead, zinc and silver production from the Anvil mine the value of Yukon's mineral production in 1986 will likely increase due to higher gold prices, increased placer mining and the opening of the Mt. Skukum gold mine.

In 1987 there are good prospects for Canamax's Ketz River gold find coming into production depending on gold prices.

(d) Exploration

In 1985 exploration activity in the Yukon centred around precious metal deposits. An estimated \$20-\$30 million will be spent on exploration activity in Yukon in 1985 - compared to \$23 million expended in 1984. Much of Yukon's exploration activity took place because of provisions in the Income Tax Act which allow mining companies to issue special "flow through shares" and to use the proceeds to undertake exploration activities.

Exploration activity was concentrated in several areas of Yukon:

(i) Keno Hill, where United Keno Hill Mines undertook an exploration programme in an effort to prove up additional reserves to extend its mine operating life; (ii) the Mt. Skukum-Montana Mountain area where Erickson Gold Mines Ltd. continued work on its Mt. Skukum gold mine. Other areas of active exploration were: (iii) in the Dawson Range northwest of Carmacks; (iv) at the Ketza River property near Ross River, and (v) in the Teslin-Rancheria area.

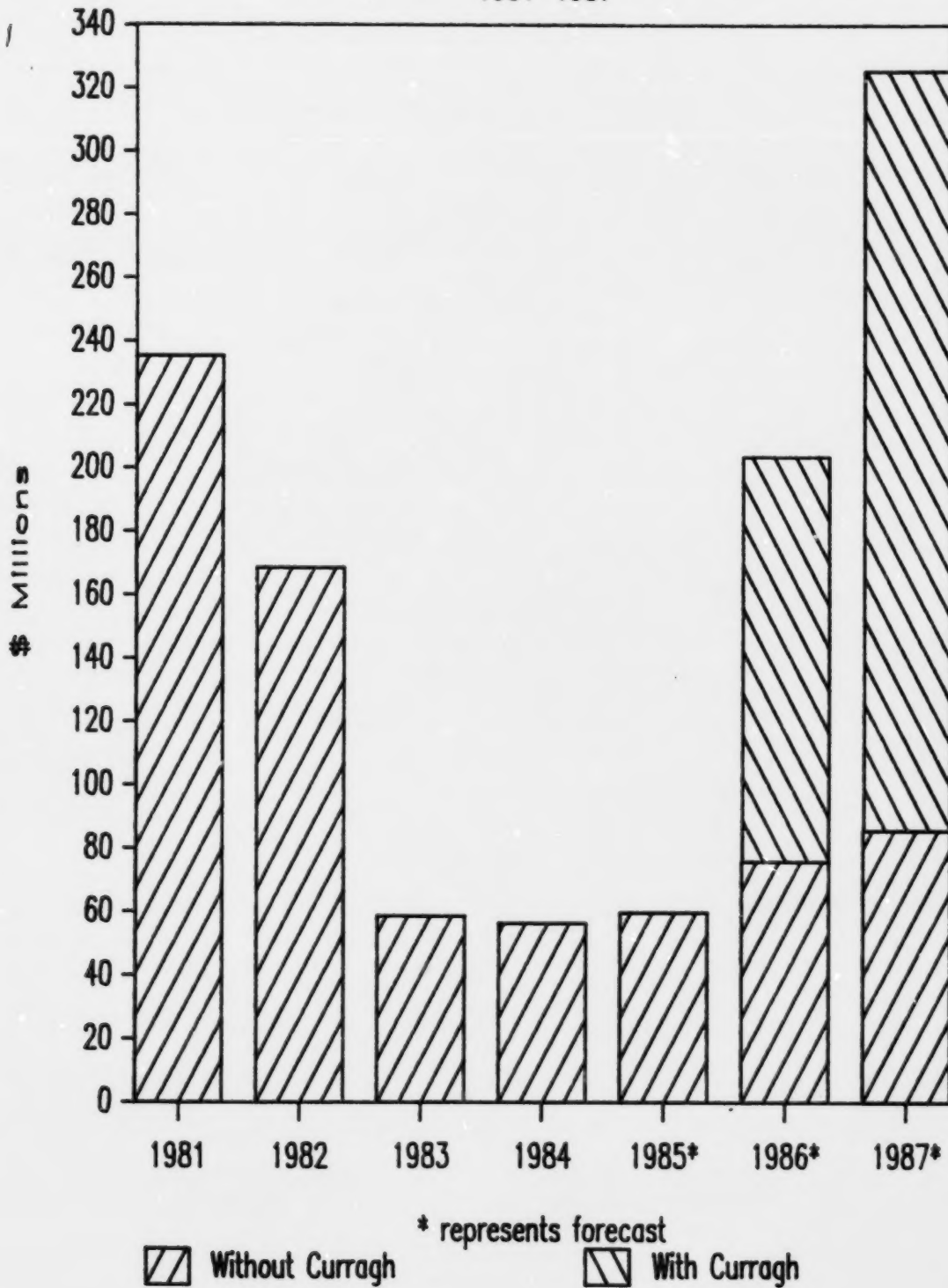
Key factors which influence the outlook of mining exploration in Yukon are:

- Precious metal prices;
- Incentive programmes, e.g. Yukon Exploration Incentives Programme;
- New technologies, e.g. heap leach technology.

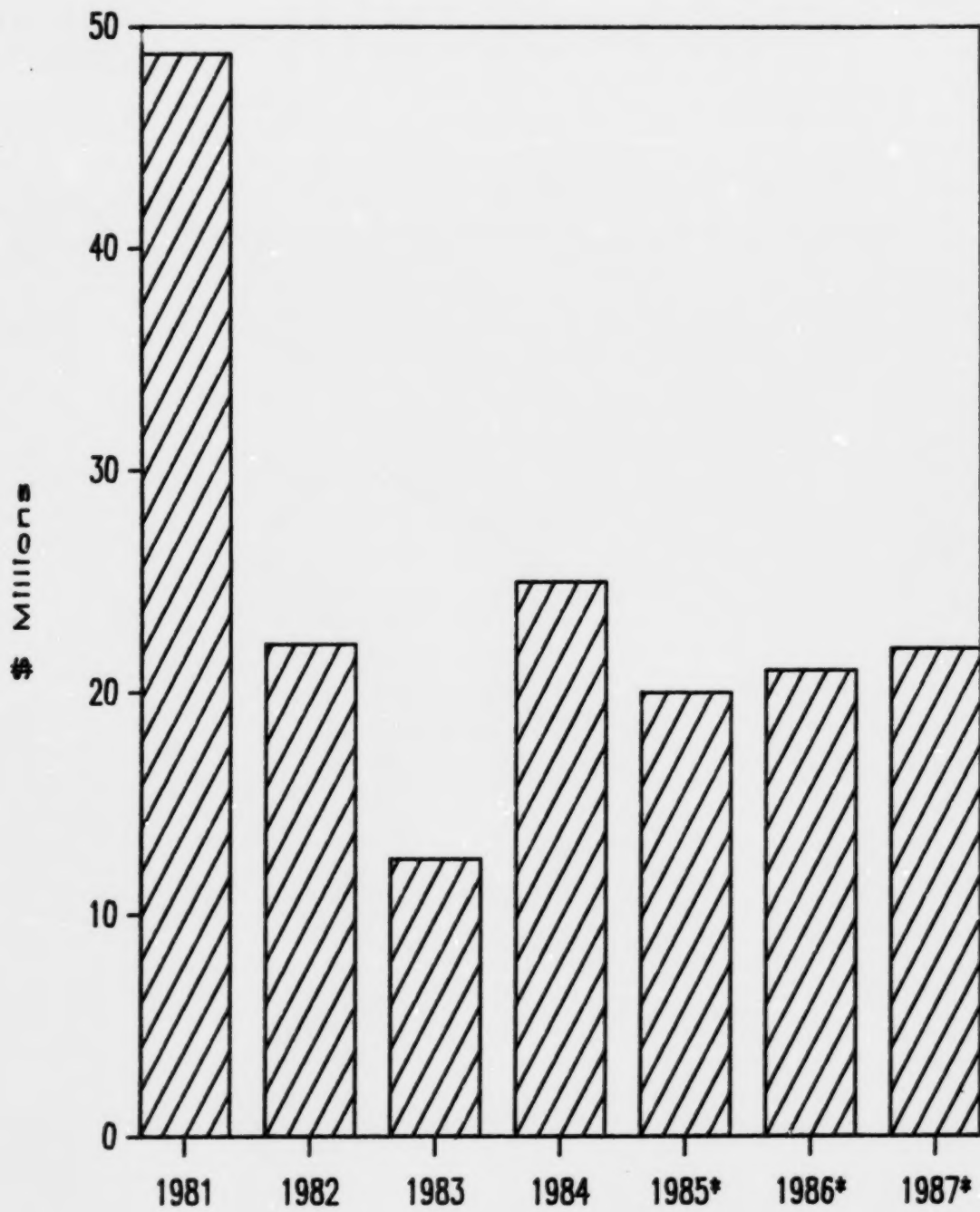
Exploration activity in 1986 and 1987 will continue to focus on gold and silver exploration. Exploration expenditures will likely increase modestly in 1986 and in 1987 in a "base" case scenario.

VALUE OF MINERAL PRODUCTION, YUKON

1981-1987



EXPLORATION EXPENDITURES, YUKON



* represents forecast

(e) Curragh Resources Corporation

On 28-Oct-85 a loan agreement was signed between Curragh Resources Corporation, the new owner of the Cyprus Anvil mine, and the governments of Yukon and Canada to set the stage for the re-opening of the Anvil mine. Curragh raised \$20 million in private equity and a \$15 million line of credit was secured. This financing, along with the agreement by all parties to work to overcome the obstacles preventing the mine's re-opening, should lead to the Anvil mine start-up in July, 1986. A mid-year start-up date is most likely since modifications to the mill will take several months and some waste stripping is required.

The best and base case forecasts show the likely impact of the Curragh project on the Yukon economy assuming a 1-Jul-86 production start-up date. Since the Curragh project entails a significant degree of risk due to a number of factors a base case scenario without the Curragh project is also included.

2. Tourism

Preliminary indications are that total visitor expenditures for 1985 will amount to \$87 million, a 6 per cent increase over last year's expenditures of \$82 million. Border crossings during the calendar year are likewise expected to rise by 6 per cent to 447,000 compared to 1984 levels.

In May-85 a \$10 million Tourism Sub-Agreement to the Canada/Yukon Economic Development Agreement was signed by the Yukon and federal governments. These funds will be used to stimulate the tourism industry through various tourism development projects and marketing initiatives in the next five years.

In 1984 visitors from the United States accounted for 61 per cent of total summer visitors, visitors from other parts of Canada made up 30 per cent and foreign-originating visitors accounted for 8 per cent of all visitors. Most tourists visiting Yukon in 1984 came by highway - 86 per cent. Tourists coming to Yukon by air totalled about 13 per

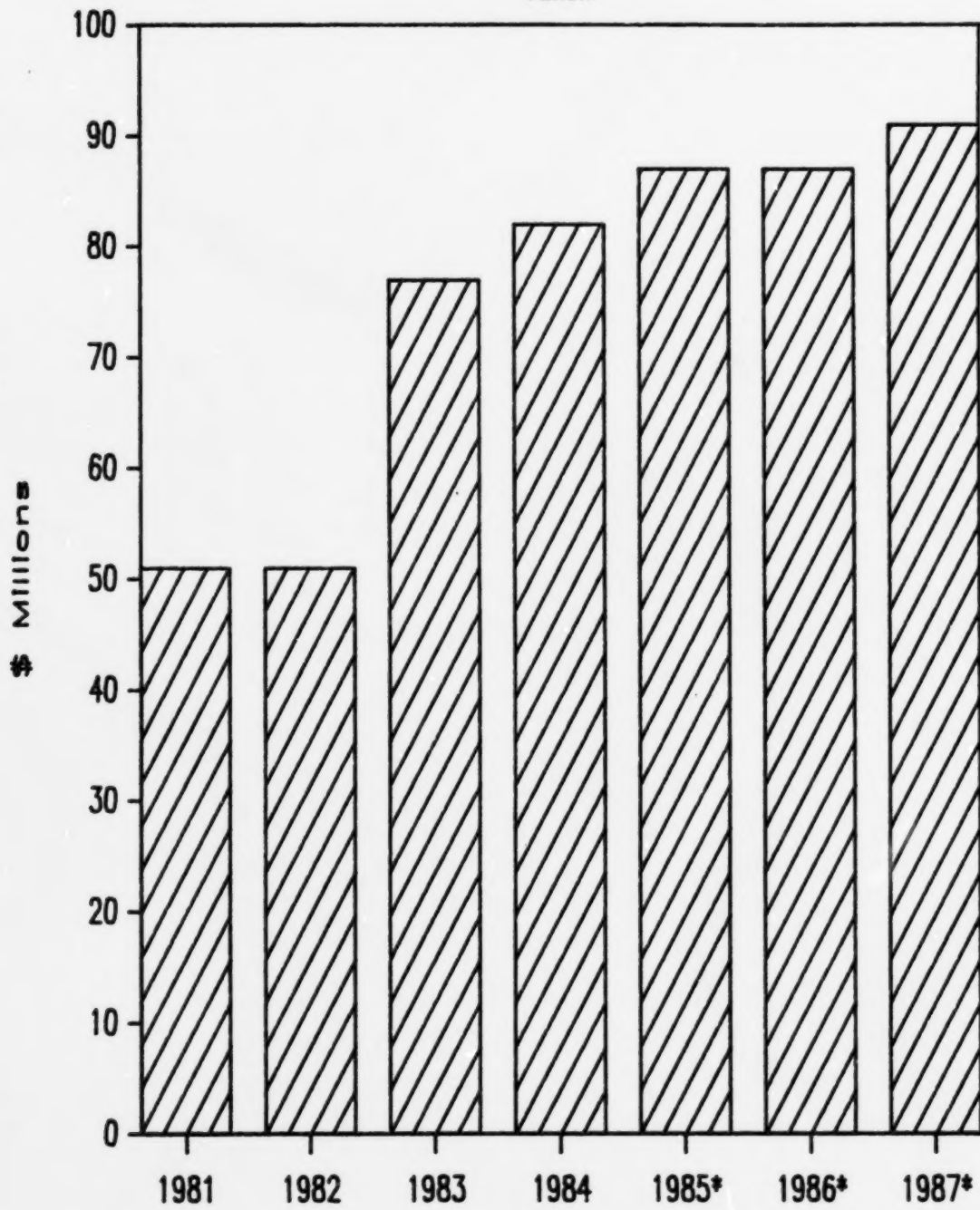
cent. The composition of visitors to Yukon will likely change little in 1985.

The outlook for the tourism industry in 1986 in the base case scenario is for little or no growth from 1985 levels largely because Vancouver's Expo '86 exposition will likely draw potential visitors away from Yukon during the year.

For 1987 and future years the outlook for the Yukon tourism industry is generally positive. The main reasons for this positive outlook are that - (a) demographically the U.S. population is increasing, growing older and moving to the Pacific North-West. This is a very favourable trend for Yukon since older Americans from the Pacific North-West form the key group of visitors to the Yukon. Other factors are: (b) both Canada and the U.S. will enjoy moderate economic growth which should provide higher levels of disposable income, and (c) the Canada/Yukon Sub-agreement on Tourism should result in better marketing of Yukon as a tourist attraction and in further development of tourist infrastructure in Yukon. While there are overall positive trends influencing the growth of the tourism sector capacity constraints exist. These constraints include infrastructure, for example a shortage of hotel rooms in some areas, and market saturation constraints.

VALUE OF TOURIST EXPENDITURES

Yukon



* represents forecast

3. Retail Trade

The measure of retail trade gives an important estimate of the consumption levels and final consumer demand in the economy. Retail trade, as measured by Statistics Canada, consists of six major components: food, new vehicles, "other" automotive (e.g. automotive parts), general merchandise and apparel, and hardware and home furnishings.

During the first three-quarters of 1985 the value of retail trade in Yukon increased by 9.6 per cent compared to the same period in 1984. Retail trade has been strong in 1985 partly because tourist border crossing numbers are up. Third quarter results, which include much of the impact of tourist expenditures, should show a strong increase.

The outlook in 1986 for retail trade is for a 5 per cent increase in a base case scenario. The main positive factors include increased consumer spending resulting from the re-opening of the town of Faro and increased population. Negative factors include the impact of the tax increases contained in the federal budget and flat tourist expenditures.

4. Government Sector

Expenditures by the Yukon and the federal governments, through line departments and Crown corporations, accounted for a large portion of Yukon's overall economic activity in 1985. In aggregate, spending by both governments increased by 11.6 per cent from 1984-85 to 1985-86. Table C, below, shows the increase in expenditures by the federal and Yukon governments for the 1983-86 period.

Two trends in the government sector are readily apparent in the past three years - rapidly increasing capital spending by the Yukon government and static federal spending after many years of steady increases.

In order to stimulate a depressed economy the Yukon Government accelerated its capital construction programme during 1985-86. Consequently capital expenditures have over a four-year period more than doubled. Increased capital expenditures have been made possible in part due to increased funding under a formula financing agreement with the federal government.

The key factors influencing the outlook for the government sector are:

- Federal budget constraints;
- Possible reductions in certain programmes, e.g. DIAND Indian Affairs Programme;
- Transfer of responsibilities to the territorial government;
- Budget decisions still to be made on expenditure levels and priorities for 1986/87 O & M expenditures;
- Formula financing has increased revenues.

TABLE C
Yukon and Federal Government Spending 1983-86

	Fiscal Year			
	<u>1982-83</u>	<u>1983-84</u>	<u>1984-85</u>	<u>1985-86</u>
	(\$ millions)			
Yukon Government -				
Operations and Maintenance -	131.6	139.0	148.1	160.1
Capital -	<u>30.0</u>	<u>34.9</u>	<u>45.8</u>	<u>73.3</u>
Sub-total -	161.6	173.9	193.9	233.4
Federal Government* -	<u>128.0</u>	<u>146.5</u>	<u>160.4</u>	<u>161.9</u>
TOTAL -	289.6	\$320.4	\$354.3	\$395.3
(percentage increase from previous year)				
Yukon Government -				
Operations and Maintenance -	18.7	5.6	6.5	8.1
Capital -	<u>3.0</u>	<u>16.3</u>	<u>31.2</u>	<u>60.0</u>
Sub-total -	15.4	7.6	11.5	20.4
Federal Government* -	<u>12.6</u>	<u>14.4</u>	<u>9.4</u>	<u>0.9</u>
TOTAL -	14.1%	10.6%	10.5%	11.6%

* Note:

1. Expenditures where Yukon is the location of principal benefit.
2. Includes capital expenditures.
3. Source: Department of Indian and Northern Affairs, Annual Northern Expenditure Plan May, 1985 Table 4-1.

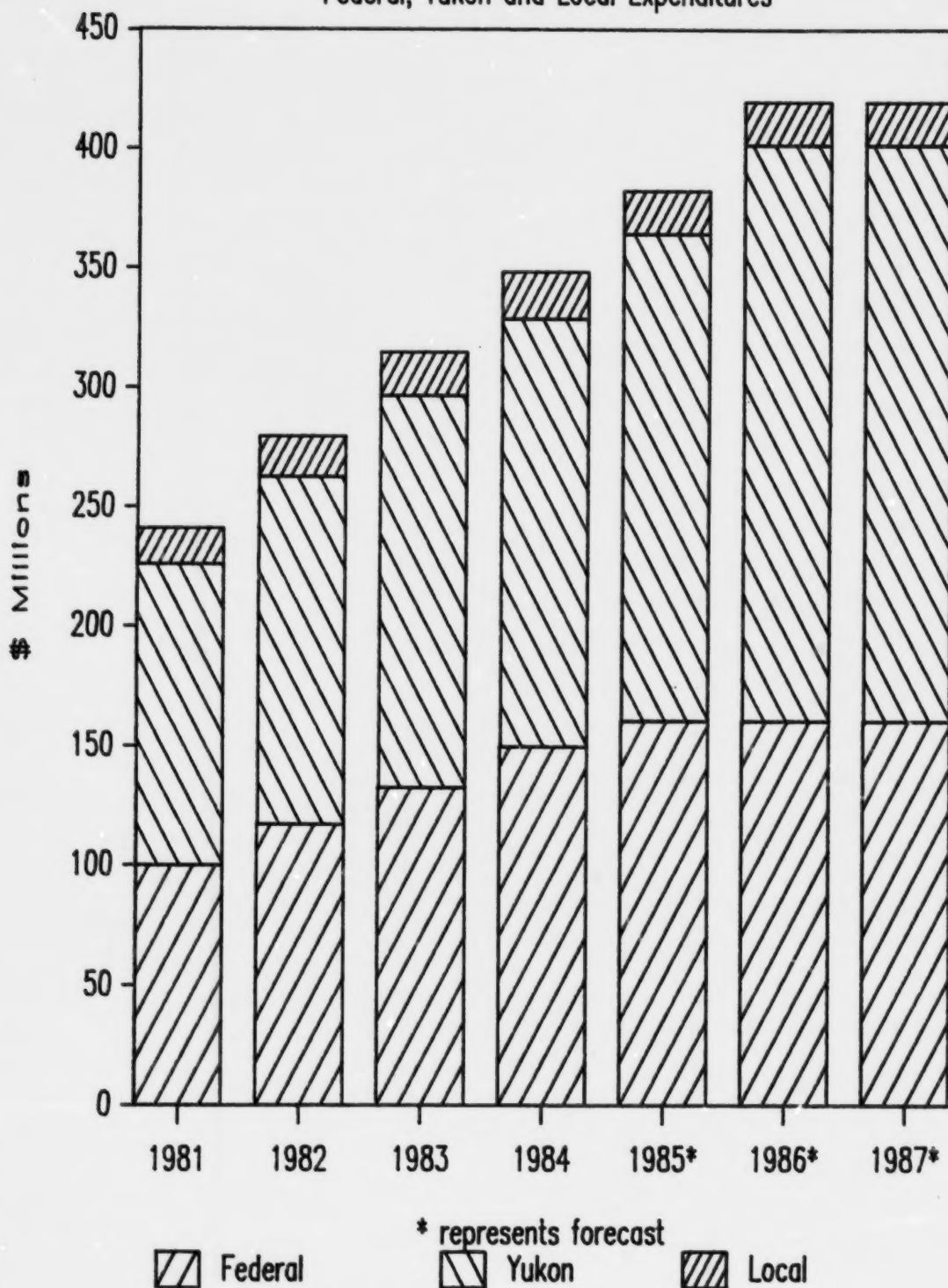
The Yukon government in its 1986-87 capital budget estimated that its capital budget would increase from \$73.3 million to \$80.9 million. The Yukon Government's capital budget is tabled and approved prior to the beginning of a fiscal year so as to maximize the time available for the construction season. The two main expenditures in 1986-87 will be for highway and facilities construction and for funds to continue the construction of a new Yukon College facility. The U.S. government will spend an estimated \$11 million in Yukon to continue to upgrade the Haines Highway during 1986-87. Capital expenditures by the Yukon, federal and municipal governments will provide most of the work for the Yukon construction industry in 1986 and in 1987.

The Yukon government is currently negotiating with the federal government to transfer the Yukon assets of the Northern Canada Power Commission to Yukon. There may be a positive economic impact from any transfer which could possibly take place within the forecast period.

In a base case scenario federal government and Yukon government (operations and maintenance) expenditures are constant for 1986 and 1987.

GOVERNMENT EXPENDITURES IN YUKON

Federal, Yukon and Local Expenditures



5. Impact of Beaufort Sea Exploration Activity

Oil and gas exploration activity in the Beaufort Sea provided direct and indirect economic benefits to Yukoners in 1985. These economic benefits are expected to include:

- an estimated \$4.0 million in increased sales for Yukon businesses;
- employment of approximately 115-120 Yukoners by exploration companies in the Beaufort Sea. The value of the wages earned by these employees would likely total \$3.5-\$4.0 million;
- increased use of the Dempster Highway as a transportation link to the Arctic Ocean;
- development of Barite deposits. Barite is used to make drilling mud - essential in oil and gas drilling activity. In 1985 approximately 20K tonnes of Barite was mined from the Fireside deposit in B.C. near Watson Lake. Approximately 20 Yukoners were employed in mining and milling barite in the Watson Lake area during 1985. There are prospects for developing other Barite deposits in Yukon to meet the demand for Barite by Beaufort Sea exploration companies.

There were several significant oil and gas discoveries in the Beaufort Sea in and 1985 including Esso Resources' Tuk M-09 gas well, and Gulf Canada's Pitsiulak and Amauligak oil wells. As well, Esso Resources discovered oil at its Nipterk well early in 1985. Preliminary indications on the Amauligak and Nipterk wells, shown below, are that these wells are major discoveries which will greatly enhance the probability of Beaufort production. For Yukon the discovery of oil by Dome Petroleum at its Adlartok well was especially significant since the well is potentially a very significant find and it is located just north of Yukon's Beaufort coast.

There has been no agreement as to exactly what amount of recoverable oil must be found before production could be justified. Estimates have

ranged from 300-700 million barrels in one concentrated area are needed for a stand alone project. Both Esso and Gulf will drill delineation wells during 1985 in an effort to prove up additional reserves. Their drilling efforts have, to a large extent, shifted from exploration drilling to proving up sufficient reserves to make a production go-ahead decision.

<u>Well</u>	<u>Indicated Daily Production</u>	<u>Indicated Reserves</u>
Amauligak (Gulf)	13,600 barrels/day	400 million barrels
Nipterk (Esso)	3,000 barrels/day	100 million barrels
Adlartok (Dome)	4,100 barrels/day	Unknown

The number of exploration wells drilled in the Beaufort Sea will likely decline in 1986 and in 1987 because all companies are nearing the end of their well commitments under their exploration agreements with COGLA. Gulf and Esso are nearing the threshold levels of reserves they require to make a production go-ahead decision. The major operators' analysis of the new incentive regime for frontier exploration and the world price of oil will also influence exploration activity.

A production go-ahead decision in 1986 would mean that the construction of an oil pipeline would take place over the 1987-90 period (at the earliest) with production beginning in 1990-91. The economic spin-offs from the construction related to Beaufort production would be very positive for many Yukon businesses if efforts are made at this time to ensure business is organized to compete for oil and gas business.

TABLE D
Beaufort Sea Oil and Gas Activities

	Total		
	Northern	Yukon	Yukon
	1984	1984	1985
	<u>Actual</u>	<u>Actual</u>	<u>Forecast</u>
(i) <u>Business Expenditures</u>	\$57.7m	\$3.8m	\$4.0m
(ii) <u>Estimated Wages</u>	\$15.3m	\$3.3m	\$4.0m
Total Estimated Expenditures -	\$73.0m	\$7.1m	\$8.0m
	=====	=====	=====
(iii) <u>Employment</u>	634	106	120

Source: Policy, Planning and Research Branch

6. Renewable Resources Sector

The renewable resources sector including forestry, trapping, fishing, hunting and farming, is highly significant to the Yukon economy. Although the dollar value of production in these activities is often low, or difficult to determine, a significant number of Yukoners rely on harvesting Yukon's renewable resources to earn additional income or to help defray the high cost of living.

During 1985 a Renewable Resources Sub-agreement was signed under the Canada/Yukon Economic Development Agreement. This sub-agreement provides \$4.2 million in funding over a four year period to encourage the growth of Yukon's renewable resources sector by assisting businesses or individuals.

(a) Forest Products

In 1985 Yukon's forest products industry increased lumber production in response to market demand. An estimated \$5 million

in forest products will be produced in Yukon in 1985-86 compared to approximately \$4.2 million in 1984-85. In Yukon most of the lumber production is used locally by the construction industry. The retail market - for example lumber sales to homeowners renovating their houses - is also important, as are lumber sales to the mining industry. Fuelwood production forms approximately 40 per cent of total production.

In 1985 there were approximately 28 sawmill operations in Yukon. The largest operation was Watson Lake Forest Products Ltd. (WLFP), which accounted for nearly one half of Yukon's forest products output.

The outlook for 1986 and 1987 is for similar production levels as in 1985 - approximately \$5 million in forest products will be produced. Employment should average from 40-60 people annually. This forecast level of activity assumes that WLFP is able to overcome its financial difficulties and remain in operation.

(b) Trapping

In 1985 the value of fur production will total approximately \$1 million compared to \$700,000 in 1984. The main reasons for the increase are higher lynx prices and increased marten production. In 1985 approximately 800 trapping licences were issued, indicating a large number of Yukoners engaged in trapping to earn an income.

The outlook for 1986 and 1987 is for moderately higher fur production due to higher prices. There is an outside chance that the anti-trapping lobby will have a negative impact on the Yukon trapping industry.

(c) Commercial Fishing

Yukon's commercial fishing industry achieved a record level of production in 1985. The commercial catch consisted of 12,573 Chinook and 35,588 Chum salmon with a landed value of

approximately \$150,000. Since the commercial catch is processed and sold onto the wholesale market the value of Yukon's commercial catch is probably much higher than the landed value noted above. The outlook for the commercial fishery is for increased salmon catches, however, harvesting or production capacity constraints may impose future limits to growth. Expansion of productive capacity and of products being marketed, for example, production of smoked salmon, would enhance the growth prospects for this industry. The successful resolution of the International Pacific Salmon Treaty could provide a catalyst for increased production for Yukon's commercial fishing industry.

(d) Agriculture

In 1984 approximately 4,100 hectares of land in Yukon were devoted to agriculture - mostly forage production to feed livestock. The total value of agricultural production in 1984 was estimated at \$1.3 million. Although no figures are available for 1985 the value of forage production would likely be similar to that of 1984.

In 1985 the Agricultural Products Act was passed by the Yukon Legislature. This Act allows for the sale of Yukon agricultural products including eggs, poultry and red meat to retailers provided that health regulations and standards are followed. The Act will "open the door" for Yukon agricultural producers to meet local market demand.

The outlook for 1986 is for increased agricultural production due to more land coming into production, the value of agricultural production is forecast to reach \$1.5 million in 1986.

7. Labour Market

During the first three-quarters of 1985 employment decreased by 5 per cent compared to the same period in 1984. Employment in the third quarter of 1985 totalled 9,541. Of the total number of people employed, the service sector accounted for the largest proportion, 40.0

per cent (3,741), followed by the government sector 38.8 per cent (3,629) and the communications and utilities sector 5.7 per cent (531).

Although official labour force statistics are not available, Yukon's unemployment rate for 1985 would appear to be significantly above the national average - probably in the 16-20 per cent range.

The number of active UIC claimants averaged 1,945 per month in the first three-quarters of 1985 compared to 1,499 during the same period in 1984. The lower level of employment and the higher number of UIC claimants in 1985 suggest that unemployment rates have risen in 1985 compared to 1984.

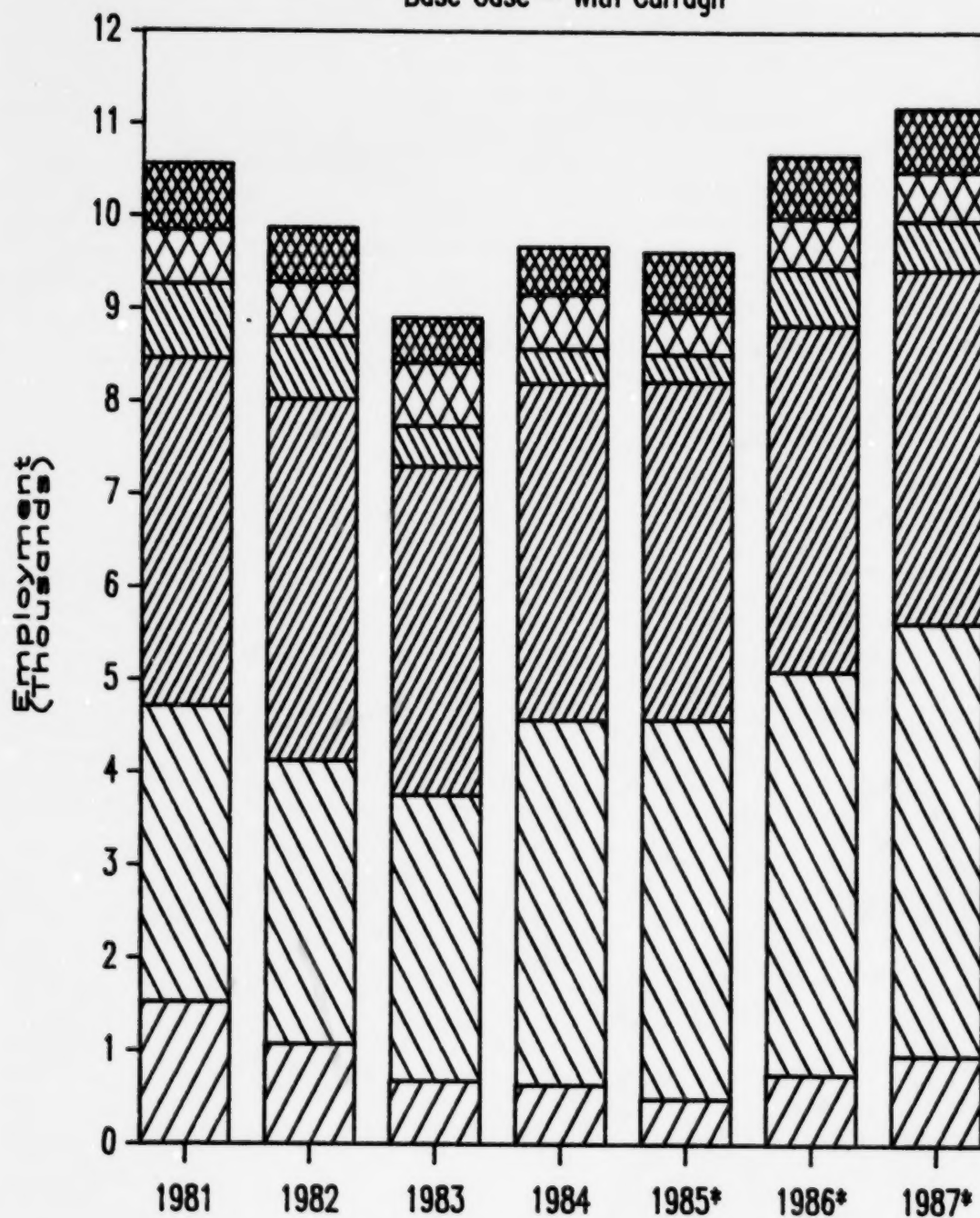
The number of social assistance cases rose from 521 per month in the January to July period in 1984 to 637 per month in the same period in 1985. Much of this increase is attributable to a rise in the number of UIC exhaustees who have gone on social assistance.

Suffice to say unemployment and under-employment remained uncomfortably high in Yukon through 1985.

The outlook for the Yukon labour market in 1986 and 1987 depends upon a number of factors. Forecasts based on four scenarios are contained in the Appendices.

EMPLOYMENT IN YUKON

Base Case - With Curragh



* represents forecast

Mining

Service

Govern

Transp

Constr

Other

APPENDICES

1. Best Case Scenario

1. Best Case Scenario

Table A - Yukon Economic Indicators

		1981	1982	1983	1984	1985 Forecast	1986 Forecast	1987 Forecast
MINING								
Value of Mineral Production (\$ millions)								
Gold (Placer)		33.9	39.7	50.5	40.4	40	53.9	56
Gold (Lode)				0	0	0	23	50
Silver		32.3	29.9	8.1	15.3	15	36.5	52.2
Lead/Zinc		149.2	84.3	0.2	0.8	0	112.5	150.2
Other		20.2	14.7	0	0.1	0	0	0
Total	*	235.6	168.6	58.8	56.6	55	225.9	308.4
Exploration Expenditures (\$ millions)	*	48.8	22.2	12.5	25	20	30	40
Metal Prices (average annual)								
Lead (cents U.S. per lb.)		35.5	25.5	21.7	25.8	20	21	25
Zinc (cents U.S. per lb.)		44.6	38.5	41.4	49.1	41	45	40
Silver (\$ U.S. per oz.)		10.52	7.95	11.44	8.33	6.16	7.5	8
Gold (\$ U.S. per oz.)		459.72	375.8	424.18	362.68	330	350	400
TOURISM								
Value of Tourist Expenditures (\$ millions)	*	51	51	77	82	87	94	103
Number of Border Crossings		386,772	365,057	394,154	422,094	447,420	483,213	531,535
SERVICE SECTOR								
Value of Retail Trade (\$ millions)	*	111.8	101.4	104.6	118	125	135	148.6
Number of Total Business Establishments		1,327	1,493	1,329	1,457	1712 (2)	--	--
GOVERNMENT								
Government Expenditures (\$ millions)(1)								
Federal		100.1	117.2	132.6	150	160.8	160.8	160.8
Territorial		125.8	145.4	164.1	178.9	203.8	245.9	253.2
Municipal		15.2	17.1	18.2	19.7	18.1	18.1	18.1
Total	*	241.1	279.7	314.9	348.6	382.7	424.8	432.1
Total of (*) items above		688.3	622.9	567.8	630.2	669.7	909.7	1032.1
CONSTRUCTION								
Value of Building Permits (\$ millions)		36.5	18	15.2	23.8	17.5 (2)	--	--
Number of Building Permits		311	109	279	407	281	--	--
RENEWABLE RESOURCES								
Forest Production (000 meters)		59	94.9	94.1	119.9	120	120	120
Value of Forest Production (\$ millions)		--	--	2.8	4.2	5	5	5
Value of Fur Production (\$ millions)		1.3	1.6	1.2	0.7	1	1	1

1 Fiscal Years have been converted to calendar years. i.e. (.75*FY1)+(.25*FY2)

2. At 30-Jun-85.

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1. Best Case Scenario

Table B - Yukon Labour Market

	1981	1982	1983	1984	⁴ 1985	1986 Forecast	1987 Forecast
	-----	-----	-----	-----	-----	-----	-----
Population	25121	24811	23216	-- ³	24734	25315	26000
Labour Force (total)	13222	12818	11746	--	12367 (5)	12658	13000
¹ Total Employed by Sector:	10575	9878	8907	9686	9635	10848	11476
a) Mining	1532	1080	678	640	494	766	1068
b) Service	3190	3051	3079	3938	4092	4517	4838
c) Government	3751	3896	3547	3637	3646	3734	3809
d) Communications and Utilities	497	489	403	414	472	505	520
e) Transportation	799	678	436	368	300	618	530
f) Construction	580	582	683	586	465	536	535
g) Forestry	27	26	19	42	38	39	40
h) Other	199	76	62	61	130	133	136
Unemployed	1459	1699	1658	--	1979-2473	1266-1646	1170-1560
Unemployment Rate	11.2%	13.3%	14.1%	--	16-20%	10-13%	9-12%
² U.I.C. Claimants	1218	1936	2391	2241	--	--	--

¹ Full time employment. Averages at quarter end.² Yearly average.³ Some figures not available for 1984 due to administrative changes to the Yukon Health Care records⁴ Population as at 1-Jun-85. Employment figures are the averages of Q1 & Q2 results.⁵ Rough estimate assuming 50% of population in labour force.

SOURCE: Yukon Statistical Review for 1981 to 1985 figures.

Policy Planning and
Research Branch
Government of Yukon
14-Nov-85

1.BEST Case Assumptions
=====

Mining

1. Curragh Resources purchases and reopens the Anvil mine. Production begins 1-Jul-86.
2. Employment multiplier of 2.7 was used. Only Curragh Resources employment at the mine is included as "direct employment".
3. United Keno Hill Mines resumes full production in 1986.
4. Mt. Skukum begins full production in Mar-86.
5. One new small scale gold mine begins production in 1987.

Tourism

1. There is an 8% rise in tourist expenditures in 1986 and in 1987.
2. Expo '86 has no negative effects on the number of visitors to Yukon.

Trade

1. The value of retail trade increases by 8% in 1986 and by 10% in 1987.

Government

1. Federal spending remains constant-- no major reductions occur.
2. Yukon government O&M spending increases by 3% in 1986-87.

Beaufort Sea Development

1. A production decision is reached in late 1986 by one of the major oil companies. One hundred additional service sector jobs occur in 1987 as a result.

Population

1. See Statistics Canada. "Population Projections for Canada, Provinces and Territories 1984-2006" (Catalogue 91-520). Mid-case population growth scenario based on 1-Jun-85 Bureau of Statistics revised population estimates.
2. In addition a population multiplier of 1.27 was applied to the number of direct mining jobs to arrive at revised population figures.

Employment

1. Employment in each sector increases by 3% in 1986 and by 4% in 1987.
2. In addition to the basic increase noted above 227 direct mining jobs are included in 1986 and 423 jobs in 1987 due the reopening of the Anvil mine. A multiplier of 2.7 was used to determine the number of indirect jobs created.

2. Base Case Scenario
(With Curragh)

2. Base Case Scenario
(With Curragh)

Table A - Yukon Economic Indicators

		1981	1982	1983	1984	1985 Forecast	1986 Forecast	1987 Forecast
MINING								
Value of Mineral Production (\$ millions)								
Gold (Placer)		33.9	39.7	50.5	40.4	40	49	55
Gold (Lode)				0	0	0	12	15.5
Silver		32.3	29.9	8.1	15.3	15	30.5	39.2
Lead/Zinc		149.2	84.3	0.2	0.8	0	112.5	216.3
Other		20.2	14.7	0	0.1	0	0	0
Total	\$	235.6	168.6	58.8	56.6	55	204	326
Exploration Expenditures (\$ millions)	\$	48.8	22.2	12.5	25	20	21	22
Metal Prices (average annual)								
Lead (cents U.S. per lb.)		35.5	25.5	21.7	25.8	19	20	23
Zinc (cents U.S. per lb.)		44.6	38.5	41.4	49.1	41	45	40
Silver (\$ U.S. per oz.)		10.52	7.95	11.44	8.33	6.24	7.5	8
Gold (\$ U.S. per oz.)		459.72	375.8	424.18	362.68	330	350	400
TOURISM								
Value of Tourist Expenditures (\$ millions)	\$	51	51	77	82	87	87	91
Number of Border Crossings		386,772	365,057	394,154	422,094	447,420	447,420	469,791
SERVICE SECTOR								
Value of Retail Trade (\$ millions)	\$	111.8	101.4	104.6	118	123.9	127.6	134
Number of Total Business Establishments		1,327	1,493	1,329	1,457	1712 (2)	--	--
GOVERNMENT								
Government Expenditures (\$ millions)(1)								
Federal		100.1	117.2	132.6	150	160.8	160.8	160.8
Territorial		125.8	145.4	164.1	178.9	203.8	241.1	241.1
Municipal		15.2	17.1	18.2	19.7	18.1	18.1	18.1
Total	\$	241.1	279.7	314.9	348.6	382.7	420	420
Total of (\$) items above		688.3	622.9	567.8	630.2	668.6	859.6	993
CONSTRUCTION								
Value of Building Permits (\$ millions)		36.5	18	15.2	23.8	17.5 (2)	--	--
Number of Building Permits		311	109	279	407	281	--	--
RENEWABLE RESOURCES								
Forest Production (000 cubic meters)		59	94.9	94.1	119.9	120	120	120
Value of Forest Production (\$ millions)		--	--	2.8	4.2	5	5	5
Value of Fur Production (\$ millions)		1.3	1.6	1.2	0.7	1	1.2	1.2

1 Fiscal Years have been converted to calendar years. i.e. (.75*FY1)+(.25*FY2)

2. At 30-Jun-85.

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2. Base Case Scenario
(with Curragh)

Table B - Yukon Labour Market

	1981	1982	1983	1984	⁴ 1985	1986 Forecast	1987 Forecast
	-----	-----	-----	-----	-----	-----	-----
				³			
Population	25121	24811	23216	--	24734	25172	25857
Labour Force (total)	13222	12818	11746	--	12367	12586	12929
¹ Total Employed by Sector:	10575	9878	8907	9686	9635	10674	11206
a) Mining	1532	1080	678	640	494	762	974
b) Service	3190	3051	3079	3938	4092	4347	4668
c) Government	3751	3896	3547	3637	3646	3734	3809
d) Communications and Utilities	497	489	403	414	472	505	520
e) Transportation	799	678	436	368	300	618	530
f) Construction	580	582	683	586	465	536	535
g) Forestry	27	26	19	42	38	39	40
h) Other	199	76	62	61	130	133	136
Unemployed	1459	1699	1658	--	1979-2473	1384-1762	1300-1690
Unemployment Rate	11.2%	13.3%	14.1%	--	16-20%	11-14%	10-13%
² U.I.C. Claimants	1218	1936	2391	2241	--	--	--

1 Full time employment. Averages at quarter end.

2 Yearly average.

3 Some figures not available for 1984 due to administrative changes to the Yukon Health Care records

4 Population as at 1-Jun-85. Employment figures are the averages of Q1 & Q2 results.

SOURCE: Yukon Statistical Review for 1981 to 1985 figures.

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2. BASE Case Assumptions With Curragh

=====

Mining

1. Curragh Resources purchases and reopens the Anvil mine. Production begins 1-Jul-86.
2. Employment multiplier of 2.7 was used. Only Curragh Resources employment at the mine is included as "direct employment".
3. United Keno Hill Mines maintains current production rates through 1986 and 1987.
4. Mt. Skukum begins full production in Mar-86.

Tourism

1. Tourism expenditures show no change in 1986 and increase by 5% in 1987.
2. Expo '86 draws potential visitors away from Yukon.
3. The average length of stay and expenditures per tourist remain unchanged since the 1982 exit survey.

Trade

1. The value of retail trade increases by 5% in 1986 and by 5% in 1987.

Government

1. Federal and Yukon government O&M spending remains constant-- no major reductions occur.

Population

1. See Statistics Canada. "Population Projections for Canada, Provinces and Territories 1984-2006" (Catalogue 91-520). Mid-case population growth scenario based on 1-Jun-85 Bureau of Statistics revised population estimates.
2. In addition a population multiplier of 1.27 was applied to the number of direct mining jobs to arrive at revised population figures.

Employment

1. Employment in each sector increases by 2.4% in 1986 and by 2% in 1987.
2. In addition to the basic increase noted above 227 direct mining jobs are included in 1986 and 423 jobs in 1987 due to the reopening of the Anvil mine. A multiplier of 2.7 was used to determine the number of indirect jobs created.

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3. Base Case Scenario
(No Curragh)

3. Base Case Scenario
(No Curragh)

Table A - Yukon Economic Indicators

		1981	1982	1983	1984	1985 Forecast	1986 Forecast	1987 Forecast
MINING								
Value of Mineral Production (\$ millions)								
Gold (Placer)		33.9	39.7	50.5	40.4	40	49	55
Gold (Lode)				0	0	0	12	15.5
Silver		32.3	29.9	8.1	15.3	15	15	15.5
Lead/Zinc		149.2	84.3	0.2	0.8	0	0	0
Other		20.2	14.7	0	0.1	0	0	0
Total	*	235.6	168.6	58.8	56.6	55	76	86
Exploration Expenditures (\$ millions)	*	48.8	22.2	12.5	25	20	21	22
Metal Prices (average annual)								
Lead (cents U.S. per lb.)		35.5	25.5	21.7	25.8	19	20	23
Zinc (cents U.S. per lb.)		44.6	38.5	41.4	49.1	41	45	40
Silver (\$ U.S. per oz.)		10.52	7.95	11.44	8.33	6.24	7.5	8
Gold (\$ U.S. per oz.)		459.72	375.8	424.18	362.68	330	350	400
TOURISM								
Value of Tourist Expenditures (\$ millions)	*	51	51	77	82	87	87	91
Number of Border Crossings		386,772	365,057	394,154	422,094	447,420	447,420	469,791
SERVICE SECTOR								
Value of Retail Trade (\$ millions)	*	111.8	101.4	104.6	118	123.9	127.6	134
Number of Total Business Establishments		1,327	1,493	1,329	1,457	1712 (2)	--	--
GOVERNMENT								
Government Expenditures (\$ millions)(1)								
Federal		100.1	117.2	132.6	150	160.8	160.8	160.8
Territorial		125.8	145.4	164.1	178.9	203.8	241.1	241.1
Municipal		15.2	17.1	18.2	19.7	18.1	18.1	18.1
Total	*	241.1	279.7	314.9	348.6	382.7	420	420
Total of (*) items above		688.3	622.9	567.8	630.2	668.6	731.6	753
CONSTRUCTION								
Value of Building Permits (\$ millions)		36.5	18	15.2	23.8	17.5 (2)	--	--
Number of Building Permits		311	109	279	407	281	--	--
RENEWABLE RESOURCES								
Forest Production (000 cubic meters)		59	94.9	94.1	119.9	120	120	120
Value of Forest Production (\$ millions)		--	--	2.8	4.2	5	5	5
Value of Fur Production (\$ millions)		1.3	1.6	1.2	0.7	1	1.2	1.2

1 Fiscal Years have been converted to calendar years. i.e. (.75*FY1)+(.25*FY2)
2. At 30-Jun-85.

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3. Base Case Scenario
(NO Curragh)

Table B - Yukon Labour Market

	1981	1982	1983	1984	⁴ 1985	1986 Forecast	1987 Forecast
	-----	-----	-----	-----	-----	-----	-----
Population	25121	24811	23216	-- ³	24734	24882	25030
Labour Force (total)	13222	12818	11746	--	12367	12441	12515
¹ Total Employed by Sector:	10575	9878	8907	9686	9635	9866	10064
a) Mining	1532	1080	678	640	494	534	545
b) Service	3190	3051	3079	3938	4092	4158	4241
c) Government	3751	3896	3547	3637	3646	3734	3809
d) Communications and Utilities	497	489	403	414	472	485	495
e) Transportation	799	678	436	368	300	307	313
f) Construction	580	582	683	586	465	476	486
g) Forestry	27	26	19	42	38	39	40
h) Other	199	76	62	61	130	133	136
Unemployed	1459	1699	1658	--	1979-2473	1866-2364	1752-2252
Unemployment Rate	11.2%	13.3%	14.1%	--	16-20%	15-19%	14-18%
² U.I.C. Claimants	1218	1936	2391	2241	--	--	--

1 Full time employment. Averages at quarter end.

2 Yearly average.

3 Some figures not available for 1984 due to administrative changes to the Yukon Health Care records

4 Population as at 1-Jun-85. Employment figures are the averages of Q1 & Q2 results.

SOURCE: Yukon Statistical Review for 1981 to 1985 figures.

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3.BASE Case Assumptions No Curragh
=====

Mining

1. The Anvil mine does not reopen.
2. United Keno Hill Mines continues to produce at 1985 levels.
4. Mt.Skukum begins full production in Mar-86.

Tourism

1. Tourism expenditures remain flat in 1986 and increase marginally in 1987.
2. Expo '86 reduces the number of visitors to Yukon.
3. The average length of stay and expenditures per tourist remain unchanged since the 1982 exit survey.

Trade

1. The value of retail trade increases by 5% in 1986 and in 1987.

Government

1. Federal spending remains constant-- no major reductions occur.
2. Yukon government O&M spending remains flat in 1986-87.

Population

1. See Statistics Canada. "Population Projections for Canada, Provinces and Territories 1984-2006" (Catalogue 91-520). Mid-case population growth scenario based on 1-Jun-85 Bureau of Statistics revised population estimates.

Employment

1. Employment in each sector increases by 2.4% in 1986 and by 2% in 1987.

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4. Worst Case Scenario

4. Worst Case Scenario

Table A - Yukon Economic Indicators

	1981	1982	1983	1984	1985 Forecast	1986 Forecast	1987 Forecast
MINING							
Value of Mineral Production (\$ millions)							
Gold (Placer)	33.9	39.7	50.5	40.4	40	40	30
Gold (Lode)			0	0	0	10	3
Silver	32.3	29.9	8.1	15.3	15	0	0
Lead/Zinc	149.2	84.3	0.2	0.8	0	0	0
Other	20.2	14.7	0	0.1	0	0	0
Total	* 235.6	168.6	58.8	56.6	55	50	33
Exploration Expenditures (\$ millions)	* 48.8	22.2	12.5	25	20	12	12
Metal Prices (average annual)							
Lead (cents U.S. per lb.)	35.5	25.5	21.7	25.8	19	17	17
Zinc (cents U.S. per lb.)	44.6	38.5	41.4	49.1	41	40	35
Silver (\$ U.S. per oz.)	10.52	7.95	11.44	8.33	6.24	4	6
Gold (\$ U.S. per oz.)	459.72	375.8	424.18	362.68	330	240	300
TOURISM							
Value of Tourist Expenditures (\$ millions)	* 51	51	77	82	87	77	69
Number of Border Crossings	386,772	365,057	394,154	422,094	447,420	393,730	354,357
SERVICE SECTOR							
Value of Retail Trade (\$ millions)	* 111.8	101.4	104.6	118	118	110	105
Number of Total Business Establishments	1,327	1,493	1,329	1,457	1712 (2)	--	--
GOVERNMENT							
Government Expenditures (\$ millions)(1)							
Federal	100.1	117.2	132.6	150	160.8	144.7	130.2
Territorial	125.8	145.4	164.1	178.9	203.8	236.3	229.2
Municipal	15.2	17.1	18.2	19.7	18.1	18.1	18.1
Total	* 241.1	279.7	314.9	348.6	382.7	399.1	377.5
Total of (*) items above	688.3	622.9	567.8	630.2	662.7	648.1	596.5
CONSTRUCTION							
Value of Building Permits (\$ millions)	36.5	18	15.2	23.8	17.5 (2)	--	--
Number of Building Permits	311	109	279	407	281	--	--
RENEWABLE RESOURCES							
Forest Production (000 cubic meters)	59	94.9	94.1	119.9	120	120	120
Value of Forest Production (\$ millions)	--	--	2.8	4.2	5	2	2
Value of Fur Production (\$ millions)	1.3	1.6	1.2	0.7	1	0.7	0.5

1 Fiscal Years have been converted to calendar years. i.e. (.75*FY1)+(.25*FY2)

2. At 30-Jun-85.

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4. Worst Case Scenario

Table 8 - Yukon Labour Market

	1981	1982	1983	1984	⁴ 1985	1986 Forecast	1987 Forecast
	-----	-----	-----	-----	-----	-----	-----
Population	25121	24811	23216	-- ³	24734	24534	24334
Labour Force (total)	13222	12818	11746	--	--	12267	12167
¹ Total Employed by Sector:	10575	9878	8907	9686	9635	9474	9429
a) Mining	1532	1080	678	640	494	400	350
b) Service	3190	3051	3079	3938	4092	3900	3800
c) Government	3751	3896	3547	3637	3646	3734	3809
d) Communications and Utilities	497	489	403	414	472	485	495
e) Transportation	799	678	436	368	300	307	313
f) Construction	580	582	683	586	465	476	486
g) Forestry	27	26	19	42	38	39	40
h) Other	199	76	62	61	130	133	136
Unemployed	1459	1699	1658	--	1979-2473	1963-2453	1947-2433
Unemployment Rate	11.2%	13.3%	14.1%	--	16-20%	16-20%	16-20%
² U.I.C. Claimants	1218	1936	2391	2241	--	--	--

¹ Full time employment. Averages at quarter end.² Yearly average.³ Some figures not available for 1984 due to administrative changes to the Yukon Health Care records⁴ Population as at 1-Jun-85. Employment figures are the averages of Q1 & Q2 results.

SOURCE: Yukon Statistical Review for 1981 to 1985 figures.

NOTE: See attached sheet for assumptions.

Policy Planning and
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Government of Yukon
23-Oct-85

4. WORST Case Assumptions

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Mining

1. The Anvil mine does not reopen.
3. United Keno Hill Mines shuts down in 1986 and in 1987.
4. Mt. Skukum begins full production in Mar-86, however continues to early 1987 only.

Tourism

1. Tourism expenditures fall in 1986 and in 1987.
2. Expo '86 reduces the number of visitors to Yukon.
3. The average length of stay and expenditures per tourist remain unchanged since the 1982 exit survey.

Trade

1. The value of retail trade declines in 1986 and in 1987.

Government

1. Federal spending falls by 10% in 1986 and in 1987.
2. Yukon government O&M spending declines by 3% in 1986-87 and in 1987-88.

Population

1. Population declines in 1986 and in 1987.

Employment

1. Employment declines in the mining and service sectors due to lower levels of mining, tourist and government spending.

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20-Nov-85

Appendix B

Silver Prices

1.

Market Activity

World Silver Supply 1984 (Mkg)

Mine Production	
Peru	1.77
Mexico	1.7
U.S.	1.3
Canada	1.22
Aust.	1.04
Other	2.77
Gov't Disposal	0.155
Exports from India	1
Salvage & other	2.459
	13.418

World Silver Demand (%)

Industrial Demand	
Photographic Uses	38.7
Electrical	14.3
Jewellery	11.4
Other	21.6
Coinage	1.9
Total Consumption	87.9
Net increase in stocks held governments and individuals	12.1
	100

* Prices \$ U.S./oz.

Dec-84	6.22
Mar-85	6.3
Jun-85	6.11
Sep-85	6.16
Dec-85	5.79

Factors Influencing Outlook

- * Industrial growth in U.S./Japan/Europe— higher growth leads to higher consumption
- * U.S. dollar. Investment capital will flow to precious metals if dollar falls
- * Consumption has been declining but a turn-around is indicated
- * Significant secondary supplies exist at higher prices

Outlook for 1986 and 1987

- * Higher prices due to (i) increased consumption
(ii) lower \$ U.S.
- * Price rise to \$8.00 U.S. by 1987 in base case

Gold Prices

2.

Market Activity

World Gold Supply 1984 (tonnes)

Mine Production	
S. Africa	683
Canada	81
U.S.	72
Brazil	55
Other	258
Sales by Com. Bloc	205
Official Sector	85
	1439

World Gold Demand (%)

Jewellery	56.8
Electronics	8.5
Other industrial	7.3
Coins	12.1
Net change in investment	15.2
	100

* Prices \$ U.S./oz.

Dec-84	307.5
Mar-85	320.75
Jun-85	317.75
Sep-85	326.5
Dec-85	326

Factors Influencing Outlook

- * U.S. dollar. Investment capital will flow to precious metals if dollar falls
- * Historical upward price trend
- * Inflation outlook
- * OPEC price of oil

Outlook for 1986 and 1987

- * Prices increase to \$400/ oz in 1987 in the base case scenario

Lead Prices

3.

Market Activity

World Lead Supply 1984 (000 tonnes)

Mine Production	
Europe	419
Canada	310
U.S.	335
Austr.	400
Other	881

Metal from other Sources	1571
	3916

World Lead Demand (%)

Batteries	60
Pigments and Compounds	14
Sheet and strip	11
Cables	5
Gasoline Additives	5
Other	4
	100

* Prices U.S. Cents/lb

Dec-84	23.13
Mar-85	17.69
Jun-85	19.05
Sep-85	19.05
Dec-85	18.75

Factors Influencing Outlook

- * Western world growth
- * Small potential for new uses for lead
- * Reductions in output in U.S. /Australia

Outlook for 1986 and 1987

- * Prices increase to 23 cents /lb by 1987 in base case

Zinc Prices

4.

Market Activity

World Zinc Supply 1984 (000 tonnes)

Mine Production	
Canada	1211
Europe	1102
U.S.	270
Africa	278
Other	2118
	4979

World Zinc Demand (%)

Zinc Coatings	47
Castings	16
Brass	18
Other	19
	100

* Prices U.S. Cents/lb.

Dec-84	45.35
Mar-85	46.71
Jun-85	43.54
Sep-85	38.55
Dec-85	35.00

Factors Influencing Outlook

- * Western world growth
- * Significant potential for new uses for zinc
- * Automobile sales

Outlook for 1986 and 1987

- * potential for increased consumption
- * Prices rise to 40 cents/lb by 1987 in base case

Mining Sector: Production

3.

1985 Activity

- * Value of mineral production approximately \$50 million in 1985
 - Placer gold \$35 million
 - Silver and other \$15 million
- * Mineral production down from 1984 due to lower gold/silver prices
- * Employment averaged 512 in 1985 (5% of total employment)
- * United Keno Hill (silver) Mine continued to operate at reduced rates of production
- * Anvil mine sold to Curragh Resources Corporation

Factors Influencing Outlook

- * Silver prices— UKHM
- * Lead/Zinc prices— Curragh Resources
- * Risk involved with mine reopening— Curragh Resources
- * Gold prices— placer mining activity and other small mines
- * Heap leach technology

Outlook for 1986 and 1987

- * Mt. Skukum mine to commence production in spring 1986
- * Curragh due to commence production in mid-1986
- * Higher metal prices should lead to increased silver, placer and hard rock gold production

Mining Sector: Exploration

6.

1985 Activity

- * Exploration expenditures \$20-30 million compared to \$23 million in 1984
- * Exploration efforts centered around gold and silver
- ** Major areas of exploration and major companies:
 - a) Keno Hill—United Keno Hill Mines
 - b) Ketzia River—Canamax Resources
 - c) Mt. Skukuma—Erickson Gold Mines Ltd.
 - d) Midway (B.C.)—Regional Resources
 - e) Hess River—Dawson Eldorado Gold Exploration
 - f) Dawson Range—Various companies

Factors Influencing Outlook

- * Precious metal prices
- * Incentive programs eg. geological mapping under EDA, Yukon Exploration Incentives Program
- * Tax incentives—flow through share financing
- * new technologies eg. heap leach technology

Outlook for 1986 and 1987

- * continued emphasis on gold and silver exploration
- * some projects could move to development stage
- * moderately increasing expenditures

Government Sector: Federal Government

7

1985 Activity

* Expenditures in Yukon 1985-86:	Dept.	Amount
	DIAND	\$34.481 million
	Public Works	23.453
	Health and Welfare	31.015
	Transport	14.947
	Other	57.971
		\$161.867 million

* Expenditures 0.9% higher than in previous year

* total direct employment 1273 (13% of total employment)

Factors Influencing Outlook

* Federal budget constraints

*Possible reductions in certain programs eg. DIAND Indian Affairs Program

*transfer of responsibilities to Territorial government

Outlook for 1986 and 1987

* Little potential for spending increases

* Flat expenditure levels/modest reductions anticipated

Government Sector: Yukon Government

B.

1985 Activity

- * Total Expenditures 1985-86
 - O&M \$ 160.141 million
 - Capital 73.263 million
 -
 - \$ 233.404 million
- * Expenditures 20.4% higher than in previous year.
- * Direct employment (incl. casuals) 2099 (22% of total employment)
- * Payroll 1985-86 \$67.1 million

Factors Influencing Outlook

- * Budget decisions still to be made on expenditure levels and priorities for 1986/87 O & M expenditures
- * Formula financing has increased revenues

Outlook for 1986 and 1987

- * Moderate growth in O&M budget
- * Capital budget for 1986-87 -emphasis on job creation
 - capital expenditures increase to \$80.935 million

Tourism Industry

9.

1985 Activity

	<u>1984</u>	<u>1985</u>	<u>Change</u>
* Border Crossings	422094	447420	+6%
* Estimated Value of tourist Expenditures	\$82m	\$87m	+6%
* Employment largely seasonal, probably 1,000 to 1,500 employed			
* Tourism related building construction up 35% in 1985 to \$3.393 million from \$2.509 million in 1984.			
* Little change in composition of visitors to Yukon from 1984:			
(A) Mode of Transport:			
(i) Personal Vehicle		74%	
(ii) Motor Coach		13%	
(iii) Air		13%	
(B) Origins:			
(i) U.S.		62%	
(ii) Canada		30%	
(iii) Overseas		8%	

Factors Influencing Outlook

- * Expo '86 likely to draw visitors away from Yukon
- * Demographic trends favourable for industry
- * U.S. economic growth
- * Capacity constraints exist in some areas
- * \$10 million Tourism Sub-Agreement under EDA will stimulate industry
- * Value of Canadian dollar

Outlook for 1986 and 1987

- * Little or no growth in visitor numbers/expenditures in 1986
- * Continued growth in 1987